

MANISTEE BLACKER AIRPORT AUTHORITY
MANISTEE, MICHIGAN

Audit Report

For Year Ended
September 30, 2008

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MANISTEE BLACKER AIRPORT AUTHORITY
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For the Twelve Months Ended September 30, 2008

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS

To the Airport Authority
Manistee Blacker Airport
Manistee, Michigan

We have audited the financial statements of Manistee Blacker Airport Authority (a component unit) as of and for the year ended September 30, 2008, and have issued our report thereon dated December 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manistee Blacker Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manistee Blacker Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Manistee Blacker Airport Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manistee Blacker Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management, others within the organization and the Authority Board and is not intended to be and should not be used by anyone other than these specified parties.

Interlochen, MI
December 3, 2007

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Airport Authority
Manistee Blacker airport
Manistee, Michigan

We have audited the accompanying statement of net assets, activities, and the major fund of Manistee Blacker Airport Authority (a component unit) as of and for the year September 30, 2008, which collectively comprise Manistee Blacker Airport Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Manistee Blacker Airport Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective position of the governmental activities and the major fund of Manistee Blacker Airport Authority as of September 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of the basic financial statements.

The required budgetary comparison information identified in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 19, 2008 on our consideration of Manistee Blacker Airport Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Interlochen, MI
December 3, 2008

Manistee Blacker Airport Authority

Management Discussion and Analysis

This discussion and analysis provides an overview of Manistee Blacker Airport's financial activities for the fiscal year ended September 30, 2008. Please read it in conjunction with the Blacker Airport financial statements.

Financial Highlights:

The Blacker Airport net assets changed with a 3.8 percent increase.

Using this Annual Report:

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of Manistee Blacker Airport as a whole and present a longer-term view of Blacker Airport's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report Blacker Airport's operations in more detail than the government-wide financial statements.

The Fund Financial Statements present a short-term view; they tell us how resources were spent during the year, as well as how much is available for future spending. Fund Financial Statements also report Manistee Blacker Airport's operations in more detail than the Government-Wide Financial Statements by providing information about Blacker Airport's most significant funds.

Reporting Manistee Blacker Airport's Most Significant Funds:

1. Government Fund Types use modified accrual basis and include -

The *general funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Manistee Blacker Airport as a Whole:

The following table shows a comparison of current and previous year net assets:

Assets	2007	2008
Cash	85,984	71,470
Other Current Assets	1,601	14,783
Capital Assets Net	<u>8,130,491</u>	<u>8,435,180</u>
Total Assets	8,218,077	8,521,433
Liabilities and Net Assets		
Liabilities	34,048	49,754
Net Assets	<u>8,184,029</u>	<u>8,471,679</u>

Total Liabilities and Net Assets	8,218,077	8,521,433
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Manistee Blacker Airport's combined net assets increased 3.7% from a year ago - increasing from \$8,218,077 to \$8,521,433.

Governmental Activities:

	2007	2008
Revenues		
Landing Fees	223,565	195,628
Hanger Rental	16,120	18,130
Fuel Sales	7,300	6,432
Manistee Co. Operating & Capital	186,357	73,500
State of Michigan	2,222,643	0
Miscellaneous	<u>14,843</u>	<u>26,142</u>
Total Revenue	2,670,828	319,832
Expenditure	2,643,504	343,303
Transfers	<u>0</u>	<u>0</u>
Excess Revenue	27,323	(23,471)

Manistee Blacker Airport's revenues decreased by approximately \$11,996, excluding the County's contribution to capital outlay in 2007 and the State of Michigan grant for the Airport Terminal project. This decrease, which represents 3.7 percent, was primarily due to a decrease in landing fees.

The activities expenses increased by \$38,799, or 12.8 percent, (excluding the Terminal Improvements project costs in 2007), due in part to a combination of rises in personnel costs, utilities, and maintenance costs.

General Fund Budgetary Highlights:

Over the course of the year Blacker Airport was unable to maintain their departments within their prescribed budgets.

Capital Asset and Debt Administration:

Capital Assets

The Manistee Blacker Airport made a capital improvement with the addition of new snowblowing equipment.

	Asset	Depreciation	Accumulated Depreciation
General Fixed Assets			
Land	\$800,000	\$ 0	\$ 0
Runways, taxiways ,ramps	5,411,372	107,000	624,167
Building	2,593,255	21,475	190,390
Vehicles	407,737	58,248	480,912
Equipment	<u>671,750</u>	<u>33,588</u>	<u>153,465</u>
Total General Fixed Assets	9,884,114	220,311	1,448,934

Debt

Manistee Blacker Airport acquired no additional debt in 2007 and has only the loan from the County for the fuel system on the books.

General Overview of the Accomplishments of Manistee Blacker Airport in the 2007 Fiscal Year:

Blacker Airport finances have been managed very closely in 2008. This is reflected in an increase of the net asset balance. Manistee Blacker Airport is in a very healthy state as a whole.

Contacting the Manistee Blacker Airport Management:

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Manistee Blacker Airport's finances and to show the Airport's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact our office at (231) 723-4351.

MANISTEE BLACKER AIRPORT AUTHORITY
STATEMENT OF NET ASSETS
September 30, 2008

ASSETS

Cash, investments and cash equivalents	\$71,470
Receivables (net)	14,783
Prepaid Expenditures	0
Internal balances	0
Inventories	
Capital Assets, net	8,435,180
Total Assets	<u>8,521,433</u>

LIABILITIES

Accounts payable	25,106
Prepaid Rent	0
Due to Other Agencies	0
Noncurrent liabilities:	
Due within one year	7,260
Due in greater than one year	17,388
Total Liabilities	<u>49,754</u>

NET ASSETS

Restricted for:	
Capital projects	
Debt Service	
Unrestricted (deficit)	8,471,679
Total Net Assets	<u>8,471,679</u>
Total Liabilities and Net Assets	<u>\$8,521,433</u>

MANISTEE BLACKER AIRPORT AUTHORITY
STATEMENT OF CHANGES IN ACTIVITIES
Year Ended September 30, 2008

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Primary government					
Governmental activities:					
Airport	\$336,871	\$220,190	\$73,500	\$0	(\$43,181)
Other	0	26,142			26,142
Total Government Activities	336,871	246,332	73,500	0	(17,039)
General revenues:					
Miscellaneous					0
Depreciation					(220,311)
Transfers & Special Items					525,000
Total General Revenues-Special Items and Transfers					304,689
Changes in Net Assets					287,650
Net Assets - Beginning					8,184,029
Prior Period Adjustment					
Net Assets - Ending					<u>\$8,471,679</u>

MANISTEE BLACKER AIRPORT AUTHORITY
STATEMENT OF FINANCIAL POSITION
September 30, 2008

ASSETS

Current Assets

Cash	\$71,470
Accounts Receivable	<u>14,783</u>

Total Current Assets	<u>86,253</u>
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TOTAL ASSETS	<u><u>86,253</u></u>
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LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	25,106
Due To County	
Prepaid Hanger Rent	<u>0</u>

Total Liabilities	25,106
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Fund Balance-

Fund Balance- Unrestricted	<u>61,147</u>
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Total Fund Balance	<u>61,147</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$86,253</u></u>
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MANISTEE BLACKER AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year Ended September 30, 2008

REVENUE

Rental and Landing Fees	\$213,758	
Fuel Sales	6,432	
Contributions from Governmental Units:		
Manistee County	73,500	
State of Michigan	0	
Miscellaneous	<u>26,142</u>	
Total Revenue		<u>319,832</u>

EXPENSE

Personnel - Management	36,000	
Personnel - Cost	200,611	
Dues & Meetings	370	
Supplies	4,050	
Utilities	31,775	
Repairs/Maint.	16,212	
Professional Fees	5,987	
Training	8,089	
Telephone/Office	309	
Insurance	25,358	
Miscellaneous	3,005	
Advertising	117	
Contracted Services	4,988	
Equipment Purchases	0	
Payment on Long Term Debt	<u>6,432</u>	
Total Expense		343,303
Transfer In/(Out)		<u>0</u>
Net Revenue		(23,471)
Beginning Fund Balance		<u>84,618</u>
Ending Fund Balance		<u><u>\$61,147</u></u>

MANISTEE BLACKER AIRPORT AUTHORITY
Reconciliation of Statement of Revenues and
Statement of Activities
For the Twelve Months Ended September 30, 2008

Net Income (loss) Per Fund Income Statement			(\$23,471)
Add:			
Principal Payments	6,432		
Transfers & Special Items	<u>525,000</u>		
Total Additions		531,432	
Subtractions			
Depreciation		<u>220,311</u>	
Total Differences			<u>311,121</u>
Net Change in Activities			<u><u>\$287,650</u></u>

MANISTEE BLACKER AIRPORT AUTHORITY

Reconciliation of Statement of

Net Assets and Fund Balance

As of September 30, 2008

Fund Balance	\$61,147
Add: Net Assets	8,435,180
Less: Long Term Debt	<u>24,648</u>
Net Assets	<u><u>\$8,471,679</u></u>

MANISTEE BLACKER AIRPORT AUTHORITY
BUDGETED STATEMENT OF REVENUE AND EXPENDITURES
GENERAL FUND
Year Ended September 30, 2008

	Original Budget	Budget	Actual	Variance
REVENUE				
Landing Fees	\$247,082	\$233,040	\$195,628	(\$37,412)
Hanger Rental	16,120	16,120	18,130	2,010
Fuel Sales	6,500	6,500	6,432	(68)
Contributions from Governmental Units:				
Manistee County - Operating	73,500	73,500	73,500	0
Manistee County - Capital			0	0
State of Michigan	0	0	0	0
Miscellaneous	22,100	14,600	26,142	11,542
Total Revenue	365,302	343,760	319,832	(23,928)
EXPENSE				
Personnel - Management	36,000	23,860	36,000	(12,140)
- Cost	206,250	206,250	200,611	5,639
Dues & Meetings	1,000	1,000	370	630
Supplies	2,500	2,500	4,050	(1,550)
Utilities	23,000	15,000	31,775	(16,775)
Repairs/Maint./Fuel	15,200	20,200	16,212	3,988
Professional Fees	6,500	5,000	5,987	(987)
Training	10,000	0	8,089	(8,089)
Telephone/Office	1,200	1,200	309	891
Insurance	26,000	20,000	25,358	(5,358)
Miscellaneous	950	7,450	3,005	4,445
Advertising	0	0	117	(117)
Contracted Service	4,800	6,300	4,988	1,312
Terminal Improvements	5,000	0	0	0
Transfer Out/Fund Balance	20,402	35,000	0	35,000
Notes Payable	6,500	0	6,432	(6,432)
Total Expense	365,302	343,760	343,303	457
Changes in Fund Balance	\$0	\$0	(\$23,471)	(\$23,471)

Manistee Blacker Airport Authority Footnotes to Financial Statements

The Manistee Blacker Airport Authority is a Michigan Corporation created pursuant to Act 206 of the Public Acts of 1957, as amended by Act 410 of the Public Acts of 1982 the "Airport Authority Act". The municipal corporations creating this Authority are the County of Manistee and City of Manistee. During the year ended December 31, 1988, the City and County of Manistee reached an agreement to have the control placed only with the County. However, the nature of the Airport Authority was to be maintained as an independent authority. During the year ended September 30, 2008 it was determined that in accordance with the criteria established by the County, the Airport is a blended component unit of the County for reporting purposes.

Summary of Significant Accounting Policies

The criteria established for determining the various agencies and boards to be included in the Authority's general purpose financial statements depend on the extent such agencies and boards are a part of, controlled by or dependent on the Authority. The governmental accounting standards board has stated that the primary criterion used to determine the reporting entity "is the ability to exercise oversight responsibility over such agencies by the governmental unit's elected officials."

Based on the independent financial nature of the Authority, the method of the selection of the governing authority and the overall authority of that agency, no agencies outside the Authority were considered for inclusion in this report.

The basis of presentation for the financial activities of the Authority is as recorded in the governmental fund. The General Fund is a self balancing, budgeted, operating fund which controls all expenditures of the Authority and is used for reporting all financial transactions. The emphasis of this fund is on expendables and focuses on the determination of changes in financial position rather than income determination.

The General Fund of the Authority currently uses the modified accrual basis of accounting. Under this method, revenues are recognized only when received in cash except those easily recognized and recorded as receivables, particularly when such transactions are reimbursements for previously expended funds.

The Government-wide statements, Statement of Net Assets and Statement of Changes in Activities are presented on a full accrual basis. Under the method, revenues are recognized when earned and expenses when they are owed.

The Authority operates on an annual appropriated budget. However, this also requires that funds are not expended beyond the appropriated limits and that any transfers within the fund be formally approved by the Board.

The Authority does not maintain an inventory.

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of

assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Financial Control of Funds

Investments

Act 217, PA 1982, as amended authorizes the Authority to deposit and invest in the following:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d) Repurchase agreements consisting of instruments listed in subdivision (a).
- e) Bankers' acceptances of United States banks.
- f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i) The purchase of securities on a when-issued or delayed delivery basis.
 - ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h) Obligations described in subdivisions (a) through (g) if purchased through an inter-local agreement under the urban cooperation act of 1967.
- i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367.
- j) The investment pools organized under the local government investment pool act, 1985 PA 121.

Cash and Cash Equivalents

Cash equivalents include all items which will mature within 60 days of the statement date. As of year end, no such cash equivalents were present. The cash on-hand at year end is as follows:

	Insured, not Collateralized
Checking	<u>\$71,470</u>
Total	\$71,470

This cash is a part of the central cash fund of Manistee County.

Contingent Liabilities

Authority officials are not aware of any contingent liabilities.

Expenditures of Budget

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit will not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Authority's actual expenditures and budget expenditures for the budgetary fund have been shown on a functional basis. The approved budgets of the Authority for these budgetary funds were adopted to the fund level.

Disclosure of any amounts which have an excess expenditure over budget at year end is required. As such, no material accounts were overexpended for the year end.

Pension Plans

There are no pension plans as there are no employees of the Manistee Blacker Airport Authority.

Compensated Absences

There are no vacation or sick pay provisions for compensated absences.

Construction and Capital Outlay

Purchase of a new snow blower was completed in October of 2007. Payment for the snow blower was made by a State of Michigan grant with matching funds from Manistee County in the amount of \$13,138. This amount was paid by the Manistee County Public Improvement Fund. The proceeds from the sale of the old snow blower, in the amount of \$32,750 went into the Manistee County Public Improvement Fund.

Fixed Assets and Accumulated Depreciation

Assets	Beginning	Additions	Subtractions	End
Land	\$ 800,000	0	0	\$ 800,000
Runways, taxiways & ramps	5,411,372	0	0	5,411,372
Buildings and Improvements	2,593,255	0	0	2,593,255
Airport Equipment	146,750	525,000	0	671,750
Vehicles and Equipment	<u>407,737</u>	<u>0</u>	<u>0</u>	<u>407,737</u>
Total	9,359,114	525,000	0	9,884,114

Depreciation

Runways, taxiways & ramps	517,167	\$107,000	0	624,167
Buildings and Improvements	168,915	21,475	0	190,390
Airport Equipment	119,877	33,588	0	153,465
Vehicles and Equipment	<u>422,664</u>	<u>58,248</u>	<u>0</u>	<u>480,912</u>
Total Accum. Deprec.	<u>\$1,228,623</u>	<u>\$220,311</u>	<u>0</u>	<u>\$1,448,934</u>

Depreciation is based on straight line with lives of 50 years for runways. 30 years for buildings, 20 years for equipment and 7 years for vehicles.

Long Term Debt

The "Long Term Debt" is an internal loan from the County for the fuel system at the Airport. It is being repaid through the sales of fuels at the rate of .15 per gallon with a maximum payout of 10 years. Historically the annual payoff has been between \$5,500 and \$8,200. The balance as of September 30, 2008 is \$24,648. Given the historical paydowns the debt should be extinguished in approximately five years.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Prior Period Adjustment

The Statement of Activities indicates a Prior Period Adjustment which is for a correction to actual for the liability for the Fuel System. Only the Statement of Net Assets and Statement of Activities are affected by this adjustment as the Governmental Fund statements do not reflect long term liabilities. This adjustment does not affect the operational viability of the Airport Authority.